



ROYAL BANK
OF CANADA

NOTICE OF THE

ANNUAL MEETING

OF COMMON

SHAREHOLDERS

AND MANAGEMENT

PROXY CIRCULAR

January 21, 1997



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NOTICE OF THE ANNUAL MEETING OF COMMON SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Common Shareholders of Royal Bank of Canada will be held in Exhibit Hall A of the Vancouver Trade & Convention Centre, 999 Canada Place, in the City of Vancouver, Province of British Columbia on Wednesday, the 5th day of March 1997 at 11:00 a.m. (Pacific time) for the following purposes:

- (1) to receive the Financial Statements of the Bank for the year ended October 31, 1996, and the Auditors' Report thereon;
- (2) to elect Directors;
- (3) to appoint Auditors;
- (4) to consider, and if thought fit, to pass a Special Resolution confirming an amendment to Section 1.1 of By-law Two increasing the maximum aggregate remuneration payable to directors of the Bank, the full text of the Special Resolution being reproduced under the heading "Amendment to By-laws — Remuneration of Directors" in the accompanying Management Proxy Circular;
- (5) to consider certain shareholder proposals attached as Schedule 'A' to the accompanying Management Proxy Circular; and
- (6) to transact such other business as may properly be brought before the meeting.

January 21, 1997

BY ORDER OF THE BOARD

JANE E. LAWSON

Senior Vice-President & Secretary

IMPORTANT

Shareholders who are unable to be present at the Annual Meeting of Common Shareholders are requested to sign and return the enclosed Form of Proxy in the envelope provided for that purpose. Proxies must be received at the Montreal office of Montreal Trust Company of Canada, the Transfer Agent, at least 48 hours prior to the meeting.

MANAGEMENT PROXY CIRCULAR

(As of January 21, 1997, except as otherwise provided)

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by the management of Royal Bank of Canada (the "Bank") of proxies for use at the Annual Meeting of Common Shareholders of the Bank to be held on the 5th day of March 1997 at the place and for the purposes set forth in the Notice of Meeting accompanying this Management Proxy Circular.

The solicitation will be primarily by mail. However, the directors, officers and regular employees of the Bank may also solicit proxies by telephone, in writing or in person and the Bank may also use the services of an outside firm to solicit proxies. The cost of solicitation will be borne by the Bank, including the cost of an outside firm estimated to be less than \$25,000.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On December 23, 1996, the Bank had 309,697,509 outstanding Common Shares. Subject to the provisions of the *Bank Act*, shareholders as at the record date of January 15, 1997, are entitled to one vote for each such share held. Shareholders who acquire their shares subsequent to January 15, 1997, may acquire voting rights provided they request the Bank, not later than 10 days before the meeting, to add their name to the voters' list.

To the knowledge of the directors and officers of the Bank, no person on December 23, 1996, owned or exercised control or direction over more than 10% of the outstanding Common Shares of the Bank.

VOTING RESTRICTIONS

The *Bank Act* prohibits any person from exercising voting rights attaching to shares beneficially owned by the government of Canada or of a province or any agency thereof, or by the government of a foreign country or any political subdivision or agency thereof.

APPOINTMENTS AND REVOCATION OF PROXIES

The persons named in the enclosed Form of Proxy are directors or officers of the Bank.

Shareholders desiring to appoint some other person (who is not required to be a shareholder of the Bank) to represent them at the meeting may do so (see Note 3 on the Form of Proxy), either by inserting such person's name in the blank space provided in the Form of Proxy and deleting the names printed thereon or by completing another proper Form of Proxy and, in either case, delivering the completed Proxy to Montreal Trust Company of Canada, the Transfer Agent of the Bank, at least 48 hours prior to the meeting.

A shareholder who signs and returns the enclosed Form of Proxy may revoke it at any time before it is acted upon by depositing written notification at the Head Office of the Bank not later than the last business day preceding the day of the meeting or with the Chairman of the meeting on the day of the meeting or any adjournment thereof.

VOTING SECRECY

Proxies are counted and tabulated by Montreal Trust Company of Canada, the Transfer Agent of the Bank, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to management, and (b) as necessary to meet the requirements of applicable law.

EXERCISE OF DISCRETION BY PROXY

The shares represented by any Proxy in the form enclosed herewith and appointing the persons designated thereon or any of them to represent the shareholder at the meeting will be voted in accordance with the specifications given by the shareholder. **In the absence of any contrary instruction, the shares represented by Proxies received by management will be voted on any ballot which may be held "FOR" the election of the management nominees for Directors, "FOR" the appointment of the auditors named herein, "FOR" the Special Resolution to confirm the amendment to Section 1.1 of By-law Two, "FOR" management's proposals generally and "AGAINST" the shareholder proposals attached as Schedule 'A'.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting.

As at the date hereof, management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the enclosed Form of Proxy will vote thereon in accordance with their judgment pursuant to the discretionary authority conferred by such Proxy with respect to such matters.

A simple majority of the votes cast at the meeting, whether by Proxy or otherwise, will constitute approval of any matter submitted to a vote at the meeting, except where otherwise specified.

ELECTION OF DIRECTORS

The Board of Directors consists of a minimum of 20 and a maximum of 50 directors, who are required to be elected annually. The persons named on the enclosed Form of Proxy intend to vote for the election of the nominees whose names are set forth below and who are now directors of the Bank. Each director will be elected to hold office until the next Annual Meeting of Common Shareholders or until such office is earlier vacated.

The table below sets forth the names of the persons proposed to be nominated for election as directors together with their principal occupation, the date on which they became directors of the Bank and the number of shares beneficially owned, directly or indirectly, or over which control or direction was exercised on December 23, 1996. **Directors who are members of the Audit Committee are so designated.** The Board of Directors does not have an executive committee.

Additionally, as required by the *Bank Act*, set out below is a summary of the record of attendance by directors at meetings of the Board and Committees of the Board during the 12 months ended December 31, 1996. During this period, 12 Board meetings were held in the following cities:

Montreal	(5)
Winnipeg	(1)
Toronto	(6)

Committees of the Board held meetings as follows:

Audit	(6)
Conduct Review	(7)
Corporate Governance	(5)
Human Resources	(4)
Public Policy	(3)
Risk Policy	(10)

Regional Director Committees also held meetings as follows:

Atlantic	(4)
Quebec	(4)
Ontario	(4)
Manitoba	(4)
Saskatchewan	(4)
Alberta	(4)
British Columbia	(6)
New York	(3)
London, England	(4)

Name and Municipality of Residence	Principal Occupation	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended	
				Board	Committees ⁽²⁾
Theodore M. Allen Winnipeg, Manitoba	President and Chairman of the Board United Grain Growers Limited (Agri services and publishers)	Oct. 6, 1992	1,000	11 of 12	15 of 16
Sir James Ball ⁽³⁾ Surrey, England	Professor of Economics London Business School (Director of Royal Bank of Canada Holdings (U.K.) Limited)	Sept. 5, 1990	3,900	12 of 12	6 of 6
Jacques Bougie, o.c. Outremont, Quebec	President and Chief Executive Officer Alcan Aluminium Limited (Fully integrated international aluminium producers)	Nov. 5, 1991	1,619	11 of 12	8 of 8
John E. Cleghorn, F.C.A. Toronto, Ontario	Chairman and Chief Executive Officer Royal Bank of Canada	Nov. 3, 1987	60,152	12 of 12	34 of 34
Ronald L. Cliff, C.M., F.C.A. ⁽³⁾ West Vancouver, B.C.	Chairman BC Gas Inc. (Energy) (Director of Westbury Canadian Life Insurance Company)	April 7, 1987	102,979	12 of 12	13 of 13
George A. Cohon, o.c. Toronto, Ontario	Senior Chairman and Chairman of the Executive Committee McDonald's Restaurants of Canada Limited (Quick service restaurants) (Director of Westbury Canadian Life Insurance Company)	June 1, 1988	3,298	7 of 12	1 of 3
G. N. (Mel) Cooper, C.M., O.B.C. Victoria, B.C.	Chairman and Chief Executive Officer Seacoast Communications Group Inc. (Radio broadcasting and production)	Oct. 6, 1992	2,500	11 of 12	3 of 3
Mitzi S. Dobrin, C.M. Montreal, Quebec	Chairman and Chief Executive Officer DBRN Holdings Ltd.(Investment)	Nov. 30, 1976	8,901	9 of 12	3 of 3
John R. Evans, C.C., M.D. ⁽³⁾ Toronto, Ontario	Chairman Alcan Aluminium Limited (Fully integrated international aluminium producers) Chairman Torstar Corporation (Publishing)	March 6, 1984	6,383	12 of 12	6 of 6
John T. Ferguson, F.C.A. Edmonton, Alberta	Chairman and Chief Executive Officer Princeton Developments Ltd. (Real estate)	April 3, 1990	2,028	10 of 12	14 of 16

Name and Municipality of Residence	Principal Occupation	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended	
				Board	Committees ⁽²⁾
L. Yves Fortier, C.C., Q.C. ⁽³⁾ Westmount, Quebec	Chairman Ogilvy Renault (Barristers & Solicitors)	March 3, 1992	2,752	12 of 12	10 of 11
The Hon. Paule Gauthier, P.C., O.C., Q.C. Quebec, Quebec	Partner Desjardins Ducharme Stein Monast (Barristers & Solicitors) (Director of Royal Trust Corporation of Canada, The Royal Trust Company and The Bankers' Trust Company)	Oct. 1, 1991	3,540	12 of 12	13 of 13
Arden R. Haynes, o.c. ⁽³⁾ Don Mills, Ontario	Company Director (Director of Royal Trust Corporation of Canada, The Royal Trust Company and The Bankers' Trust Company)	June 11, 1985	1,015	10 of 12	11 of 11
Charles H. Knight Regina, Saskatchewan	Chief Executive Officer Denro Holdings Ltd. (Land development)	Feb. 1, 1983	14,577	12 of 12	17 of 17
The Hon. E. Peter Lougheed, P.C., C.C., Q.C. Calgary, Alberta	Senior Partner Bennett Jones Verchere (Barristers & Solicitors)	Feb. 4, 1986	1,000	11 of 12	3 of 4
G. Wallace F. McCain, O.C. ⁽³⁾ Toronto, Ontario	Chairman Maple Leaf Foods Inc. (Manufacturing and processing of food products) (Director of Westbury Canadian Life Insurance Company)	Sept. 3, 1986	137,679	11 of 12	6 of 6
Dawn R. McKeag Winnipeg, Manitoba	President Walford Investments Ltd. (Holding company)	March 1, 1978	12,377	11 of 12	6 of 7
J. Edward Newall, o.c. Calgary, Alberta	Vice-Chairman and Chief Executive Officer NOVA Corporation (Natural gas transmission, manufacturing and marketing of chemicals and plastics)	Sept. 5, 1984	6,586	11 of 12	8 of 8
David P. O'Brien Calgary, Alberta	Chairman, President and Chief Executive Officer Canadian Pacific Limited (Management company) (Prior to May 1996, was President and Chief Operating Officer of Canadian Pacific Limited, prior to February 1995, was Chairman and Chief Executive Officer of PanCanadian Petroleum Limited and prior to December 1994 was Chairman, President and Chief Executive Officer of PanCanadian Petroleum Limited.)	May 7, 1996	3,127	9 of 9	4 of 4

Name and Municipality of Residence	Principal Occupation	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended	
				Board	Committees ⁽²⁾
Robert B. Peterson Toronto, Ontario	Chairman, President and Chief Executive Officer Imperial Oil Limited (Integrated petroleum)	Sept. 10, 1992	1,494	11 of 12	17 of 17
Hartley T. Richardson Winnipeg, Manitoba	President James Richardson & Sons, Limited (Investment & holding company) (Prior to April 1993, was President of the Real Estate Division of James Richardson & Sons, Limited.)	Nov. 5, 1996	—	2 of 2	1 of 1
Kenneth C. Rowe, F.C.I.S. Halifax, Nova Scotia	Chairman, President and Chief Executive Officer I.M.P. Group International Inc. (Aerospace, aviation and marine industries)	Nov. 5, 1985	355,654	12 of 12	16 of 16
Guy Saint-Pierre, O.C. Montreal, Quebec	Chairman of the Board SNC-Lavalin Group Inc. (Engineering and manufacturing)	Nov. 6, 1990	12,149	10 of 12	2 of 3
Robert T. Stewart West Vancouver, B.C.	Company Director	April 5, 1988	1,182	12 of 12	14 of 14
Allan R. Taylor, O.C. North York, Ontario	Retired Chairman and Chief Executive Officer Royal Bank of Canada	June 7, 1983	59,997	12 of 12	3 of 3
John A. Tory, Q.C. Toronto, Ontario	Deputy Chairman The Thomson Corporation (Publishing and travel)	March 10, 1971	55,195	12 of 12	9 of 9
Sheelagh D. Whittaker Toronto, Ontario	President EDS Canada (Information technology) (Director of Royal Trust Corporation of Canada and The Royal Trust Company)	June 1, 1993	1,027	12 of 12	4 of 4
Victor L. Young, O.C. St. John's, Newfoundland	Chairman and Chief Executive Officer Fishery Products International Limited (Frozen seafood products)	April 2, 1991	2,096	10 of 12	5 of 7

(1) Includes shares over which control or direction was exercised as of December 23, 1996 by the person named, even in those cases when beneficial ownership of some or all of the shares is disclaimed.

(2) Excludes attendance at Regional Director Committee meetings.

(3) Member of Audit Committee.

DIRECTORS' AND OFFICERS' REMUNERATION

To the knowledge of the Bank, the directors and senior officers of the Bank, as a group, beneficially own, directly or indirectly, or exercise control or direction over less than 1% of the outstanding Common Shares of the Bank.

Except where required for qualification as a director of a subsidiary, none of the directors of the Bank holds shares of its subsidiaries. Directors who are not standing for re-election on March 5, 1997 attended meetings during the twelve-month period ended December 31, 1996, as follows:

Robert M. Chipman ^(a)
12 of 12 Board
6 of 6 Committees

Ralph A. Pfeiffer, Jr. ^(a)
(Deceased September 13, 1996)
6 of 7 Board
3 of 3 Committees

Annual retainers and attendance fees are paid to members of the Board of Directors ^(a) on the following basis:

- (i) annual retainer\$21,000
- (ii) each Board meeting attended\$1,000
- (iii) each Board Committee meeting attended
(except as otherwise indicated below)\$1,000
- (iv) each Conduct Review Committee
meeting attended\$500
- (v) Committee chairpersons (excluding
Regional Director Committees) receive
an additional annual retainer of\$5,000
- (vi) each Regional Director Committee
meeting attended to a maximum of four ...\$700

Directors are reimbursed for transportation and other expenses incurred for attendance at Board and Committee meetings.

In order to provide competitive compensation and recognize the increasing complexity of the Bank's operations, the Bank's aim is to set director remuneration at a level comparable to the top 25% of the country's largest corporations and financial institutions. On December 4, 1996 the Board of Directors approved, effective February 1, 1997, an increase in the annual retainer to \$29,000 and at the same time amended its guidelines to require directors to hold Common Shares of the Bank with a value not less than six times the annual retainer. This policy is consistent with the Bank's belief in stock ownership by directors. The annual retainer, net of tax, will be paid in Common Shares until guideline levels are achieved.

The Bank is also retaining its current Directors' Share Purchase Plan which allows directors to have the entire amount, or a portion, of their annual retainer and attendance fees paid by way of Common Shares of the Bank. All administration costs as well as any brokerage fees associated with the purchase and registration of the Common Shares are paid by the Bank.

(a) Directors who are also officers of the Bank receive no remuneration as directors.

DIRECTORS' AND OFFICERS' REMUNERATION TABLE
(For the fiscal year ended October 31, 1996)

	Directors' Fees	Salaries	Bonuses (a)	Other (b)	Total
Remuneration of Directors					
A) No. of Directors: 31 (including retirees during the year)					
B) Corporation incurring the expense					
Royal Bank of Canada	\$1,257,385				\$ 1,257,385
Royal Trust Corporation of Canada	\$ 77,333				\$ 77,333
Royal Bank of Canada Holdings (U.K.) Limited	\$ 4,595				\$ 4,595
Aggregate Remuneration of Officers					
A) No. of Officers: 258 (including retirees during the year)					
B) Corporation incurring the expense					
Royal Bank of Canada		\$36,685,137	\$29,861,860	\$5,065,963	\$71,612,960
Totals	\$1,339,313	\$36,685,137	\$29,861,860	\$5,065,963	\$72,952,273

(a) Denotes short term incentive bonuses as well as performance awards paid under the Long Term Performance and Investment Plan in fiscal 1997 in respect of the fiscal year ended October 31, 1996. The aggregate of short term incentive bonuses paid to officers in respect of the fiscal year ended October 31, 1996 and included in the above figure is \$17,302,093. Details of the program under which short term incentive bonuses are awarded can be found under "Report on Executive Compensation — Quality Performance Incentive Program" in this document. 191 officers are voluntary participants under the Long Term Performance and Investment Plan. Performance awards under this Plan pertaining to the three-year performance period ended October 31, 1996 and included in the above figure amounted to \$10,145,013. Plan details can be found under "Report on Executive Compensation — Long Term Performance and Investment Plan" in this document.

(b) Includes benefits other than salary to officers on transfer to national and international locations (\$4,117,328) as well as the Bank's contributions on behalf of officers to the Employee Savings and Share Ownership Plan (\$948,635).

Officers were eligible to participate in a leased automobile program for business and personal use. Rental, maintenance and operational costs are for the account of the Bank. Costs attributable to this program in respect of the fiscal year ended October 31, 1996, are estimated at \$3,003,835.

Eligible employees were permitted to borrow from the Bank, within certain prescribed limits and subject to the normal credit granting criteria applied to regular customer loans, at varying staff interest rates for purchases of or improvements to residential properties, investments in shares of the Bank, purchases of durable consumer goods or for certain other personal use purposes. Deemed taxable benefits arising from all loans outstanding to officers in the last fiscal year pursuant to Section 80.4 of the Income Tax Act (Canada) are estimated at \$513,000.

There were no non-accountable expense allowances.

REPORT ON EXECUTIVE COMPENSATION

OVERVIEW

Compensation is one of the main tools used by the Bank to attract and retain employees with the skills and commitment needed to enhance shareholder value. This is particularly true for the most senior executives who have a very significant influence on corporate performance.

The Board of Directors of the Bank assigns the task of reviewing overall compensation policies and recommending compensation for senior Bank executives to the Human Resources Committee (the "Committee").

This includes the Chief Executive Officer and senior Bank executives whose compensation is set forth under the **Summary Compensation Table** other than Mr. A.S. Fell, Vice-Chairman, Chairman and Chief Executive Officer of RBC Dominion Securities Inc., whose remuneration is established by the Compensation Committee of RBC Dominion Securities Limited, a holding company of RBC Dominion Securities Inc., subject to review by the Operating Committee of RBC Dominion Securities Inc. and by the Committee and Board of Directors of the Bank. In this document, such officers, other than Mr. A.S. Fell, are referred to as the "**Named Executive Officers**" of the Bank.

The Committee is comprised of seven directors who are neither officers nor former officers of the Bank. The Board of Directors as a whole reviews the recommendations of the Committee and has final approval on compensation matters.

In order to provide competitive compensation to the Bank's senior executives, the Committee's aim is to set executive compensation, based on the advice of external compensation policy advisors, at a level comparable to the top 25% of the country's largest corporations and financial institutions.

The compensation package for senior executive officers consists of three elements:

- ◆ Base salary and benefits
- ◆ Quality Performance Incentive Program (QPI)
- ◆ Long Term Incentive Programs, including Long Term Performance and Investment Plan (LTPIP) and Executive Stock Option Plan.

BASE SALARY

The Committee annually reviews the individual salaries of the Named Executive Officers and Mr. A.S. Fell. Salaries are adjusted, as needed, based on individual performance, responsibility and experience to ensure that they reflect the contribution expected from each officer.

As Chief Executive Officer, Mr. J.E. Cleghorn's base salary is reviewed annually by the Committee. In recognition of his responsibilities and performance, Mr. Cleghorn's salary was established at \$875,000 for fiscal 1996, which is within the average of the comparator group mentioned above.

QUALITY PERFORMANCE INCENTIVE PROGRAM

The Bank's *Quality Performance Incentive Program* ("QPI") provides opportunities for all the Bank's employees to earn incentive bonuses based on individual contribution and the overall financial performance of the Bank in relation to planned return on equity (ROE) targets for each fiscal year. A range of incentive bonus opportunity is determined for each employee, based on the various ROE targets and on the employee's compensation band. The more influence an employee has on the Bank's ability to meet its plans, the greater the QPI opportunity.

When the Bank achieves its ROE target, QPI ranges are from 0% up to 120% of base salary for the Named Executive Officers. When the Bank exceeds its ROE target, incentive ranges increase. When ROE targets are not met, QPI ranges decrease and may result in no payout. The actual incentive bonus for the Named Executive Officers is based on individual contribution reviewed against a variety of factors including judgment, managerial performance and overall contribution to the Bank's success. In 1996, Mr. J.E. Cleghorn was awarded a \$1,200,000 QPI payment for the 1996 fiscal year. This payment reflects Mr. Cleghorn's leadership and personal contribution to the Bank's 1996 results.

The QPI program was re-designed for the 1997 fiscal year to ensure a better link to results achieved, measured both in terms of performance against the annual business plan, as well as performance against major competitors and to better reflect individual contribution. New measures in terms of financial results, customer satisfaction and employee commitment were added to gauge corporate performance. Achieving these objectives will enhance customer service, improve revenue growth and increase shareholder value.

LONG TERM PERFORMANCE AND INVESTMENT PLAN

The Bank's *Long Term Performance and Investment Plan* ("LTPIP") which was discontinued in 1996, was designed to encourage ownership of the Bank's Common Shares, maintain a direct link between pay and performance, and motivate management to improve the Bank's long term financial success. Under this voluntary plan, officers could borrow funds from

the Bank at the Bank's Prime Rate to purchase a set number of Common Shares. Then, based on the Bank's performance over a three-year performance period, these loans are reduced by LTPIP awards.

In 1996, LTPIP was replaced with the Executive Stock Option Plan. This change will better reward executives in direct proportion to increases in shareholder value. It will also ensure a balance is struck between short-term results and long-term value creation.

Because LTPIP plans beginning in November 1993 and November 1994 mature three years from the date initiated, awards occurred in 1996 and can occur in 1997.

Based on the results against performance targets for the performance period from November 1, 1993 to October 31, 1996, an award of 100% of the potential total award was approved. For Mr. J.E. Cleghorn, an award of 100% or \$445,100 was approved.

EXECUTIVE STOCK OPTION PLAN

The Bank's *Executive Stock Option Plan* (the "Plan") was originally introduced to supplement the Bank's LTPIP and replaced LTPIP commencing in 1996. The Plan is designed to reward executives in direct proportion to increases in shareholder value. The Plan provides an incentive to further the development, growth and profitability of the Bank and strengthens the link between pay and performance.

Under the Plan, options are granted by the Committee to eligible employees, including the Chief Executive Officer and Named Executive Officers.

On December 6, 1995, the Committee approved a stock option grant of 145,000 Common Shares to Mr. J.E. Cleghorn effective on December 18, 1995. This grant was made in recognition of Mr. Cleghorn's responsibilities as Chief Executive Officer and his contribution to the Bank's overall performance.

EXECUTIVE STOCK OWNERSHIP GUIDELINES

To support the Bank's belief in stock ownership by executives, the Bank has introduced ownership guidelines for key officers which require stock holdings proportionate to the individual's compensation and position in the Bank. Newly hired and promoted executives are given a reasonable period of time to achieve these guidelines. The guidelines established require the Chairman and Chief Executive Officer to hold a multiple of three times his base salary, Vice-Chairmen two times their base salary and Executive Vice-Presidents one time their base salary in Common Shares of the Bank. As of October 31, 1996, the stock ownership of each of the executive officers named in the Summary Compensation Table exceeded these guidelines.

Mr. A.S. Fell was appointed to the Bank's Group Office effective November 1, 1994 in his capacity as Chairman and Chief Executive Officer of RBC Dominion Securities Inc. and was appointed Vice-Chairman effective October 8, 1996. Mr. Fell's compensation consists of base salary and an incentive program based on the profitability of RBC Dominion Securities Inc. and reflects the normal compensation practices in the securities industry. Mr. Fell's remuneration is established by the Compensation Committee of RBC Dominion Securities Limited, a holding company of RBC Dominion Securities Inc., subject to review by the Operating Committee of RBC Dominion Securities Inc. and by the Committee and Board of Directors of the Bank.

SUMMARY

The Committee is responsible for ensuring that overall compensation reflects the Bank's desired compensation position and its performance. The Chairman of the Committee has direct access to the Bank's external compensation policy advisors. The Committee makes recommendations to the Board of Directors, which has final approval on compensation matters. It is the view of this Committee that executive compensation levels are appropriate for the size of the Bank, the asset base managed and the level of profits generated for shareholders.

The Committee Members are as follows:

J.E. Newall, O.C., Chairman
J. Bougie, O.C.
D.P. O'Brien
H.T. Richardson
J.A. Tory, Q.C.
S.D. Whittaker
V.L. Young, O.C.

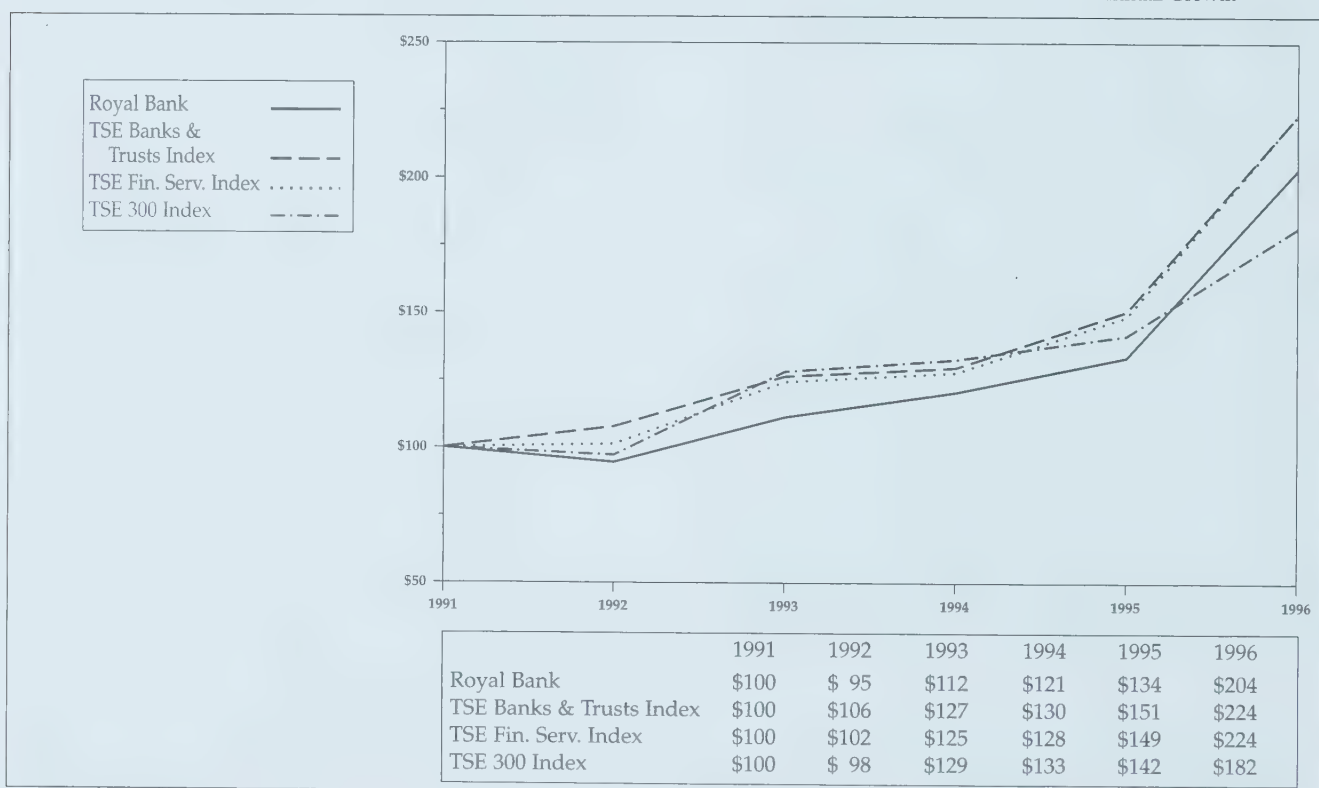
PERFORMANCE GRAPH

The following Performance Graph illustrates the yearly percentage cumulative total shareholder return on the Bank's Common Shares (assuming reinvestment of dividends) compared with the cumulative total return of the TSE Banks and Trusts, the TSE Financial Services and the TSE 300 Indices over the five year period ended October 31, 1996.

ROYAL BANK OF CANADA

Five-Year Total Return on \$100 Investment *
(October 31, 1991 — October 31, 1996)

Compound
Annual Growth



* Assumes dividends are re-invested

OFFICERS' REMUNERATION

COMPENSATION OF NAMED EXECUTIVE OFFICERS OF THE BANK

The Summary Compensation Table details compensation during the three fiscal years ended October 31, 1996, for the Chief Executive Officer of the Bank and the five other most highly compensated executive officers of the Bank, including Mr. A.S. Fell, Vice-Chairman, Chairman and Chief Executive Officer of RBC Dominion Securities Inc., measured by base salary and incentive bonuses during the fiscal year ended October 31, 1996. The information includes:

- ◆ salary earned in each applicable year;
- ◆ incentive bonuses earned in each applicable year;
- ◆ other annual compensation, which includes perquisites and personal benefits;
- ◆ stock options granted under the Executive Stock Option Plan;
- ◆ payouts under the Long Term Performance and Investment Plan which represent the value of performance awards in each applicable year applied in reduction of loans; and
- ◆ all other compensation not reported elsewhere.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ^(d)	Securities Under Options Granted (# Shares) ^(e)	LTIP Payouts (\$)	All Other Compensation (\$) ^(f)
J. E. Cleghorn, Chairman and Chief Executive Officer ^(a)	1996	868,333	1,200,000	31,348	145,000	445,100	25,994
	1995	835,000	975,000	32,711	93,400	413,500	24,981
	1994	635,000	635,000	36,250	41,700	334,208	18,998
J. E. Bolduc, Vice-Chairman and Chief Financial Officer ^(b)	1996	412,500	600,000	26,930	50,000	175,300	12,347
	1995	400,000	400,000	25,912	22,100	122,400	11,967
	1994	250,000	300,000	18,347	8,200	91,144	7,479
G. J. Feeney, Vice-Chairman ^(b)	1996	412,500	600,000	43,951	50,000	245,350	12,347
	1995	400,000	400,000	43,168	22,100	200,350	11,967
	1994	350,000	275,000	30,898	11,500	149,816	10,471
B. C. Galloway, Vice-Chairman ^(b)	1996	412,500	600,000	13,981	50,000	206,800	12,347
	1995	400,000	400,000	18,758	22,100	167,450	11,967
	1994	295,000	225,000	17,190	9,700	126,323	8,826
R. J. Sutherland, Vice-Chairman ^(b)	1996	412,500	600,000	22,096	50,000	131,100	12,347
	1995	400,000	400,000	23,490	22,100	90,750	11,967
	1994	187,000	150,000	19,865	6,100	55,927	5,595
A. S. Fell, Vice-Chairman; Chairman and Chief Executive Officer, RBC DS ^(c)	1996	302,000	4,500,000	0	N/A	N/A	0
	1995	260,055	1,750,000	0	N/A	N/A	0

(a) Mr. J.E. Cleghorn was appointed Chief Executive Officer on November 1, 1994 and was subsequently appointed Chairman on January 26, 1995. Salary, bonuses and other compensation reported for 1994 represent remuneration in his then position of President and Chief Operating Officer of the Bank.

(b) Messrs. Bolduc, Feeney, Galloway and Sutherland were appointed Vice-Chairmen and members of the Group Office of the Bank on November 1, 1994. Salary, bonuses and other compensation reported for 1994 represent remuneration in positions they occupied before November 1, 1994.

(c) Mr. A.S. Fell was appointed to the Group Office of the Bank on November 1, 1994 and Vice-Chairman on October 8, 1996. His bonus represents incentive earnings under RBC Dominion Securities Inc.'s incentive program.

(d) The amounts in this column represent taxable benefits for automobile costs and low interest loans made prior to December 6, 1995.

(e) Represent grants under Executive Stock Option Plan.

(f) The amounts in this column represent the Bank's contributions under the Royal Employee Savings and Share Ownership Plan. These officers participate in this plan on the same basis as all other Bank employees. Under this plan, employees can contribute up to a specified percentage of their salary towards the purchase of Common Shares of the Bank, deposits or balanced funds with the Bank, with the Bank contributing additional Common Shares to the extent of 50% of eligible contributions.

EXECUTIVE STOCK OPTION PLAN

The table below shows stock option grants made to the Named Executive Officers under the Bank's Executive Stock Option Plan during the financial year ended October 31, 1996. The Committee grants options to eligible employees, including the Chief Executive Officer and other Named Executive Officers, for purchase of a set number of Common

Shares of the Bank at an exercise price being the market value of the shares based on the weighted average of the trading prices of a board lot of shares on the Montreal and Toronto stock exchanges for a five trading day period. Each option may be exercised over a ten year period; 25% of the options granted vest one year after the date of grant and an additional 25% per year over the following three years.

OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Securities under Options Granted (#)	% of Total Options Granted to Employees in Fiscal 1996	Exercise or Base Price (\$)/Common Share	Market Value of Securities Underlying Options on the Date of Grant (\$)/Common Share	Expiration Date
J. E. Cleghorn	145,000	7.1%	31.35	31.35	Dec. 18, 2005
J. E. Bolduc	50,000	2.4%	31.35	31.35	Dec. 18, 2005
G. J. Feeney	50,000	2.4%	31.35	31.35	Dec. 18, 2005
B. C. Galloway	50,000	2.4%	31.35	31.35	Dec. 18, 2005
R. J. Sutherland	50,000	2.4%	31.35	31.35	Dec. 18, 2005

The following table shows for each Named Executive Officer: the number of Common Shares of the Bank acquired through stock options during the financial year ended October 31, 1996, the aggregate value realized upon exercise, and the number of Common Shares of the Bank covered by unexercised options under the Executive Stock Option Plan of the Bank as at October 31, 1996. Value realized upon exercise is the difference between the fair market value of the

Common Shares of the Bank on the exercise date and the exercise price of the option.

Value of unexercised in-the-money options at financial year end is the difference between the exercise price of the options and the fair market value of the Common Shares of the Bank on October 31, 1996, which was \$44.30 per share.

AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR END OPTION VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at October 31, 1996 (#)		Value of Unexercised In-The-Money Options at October 31, 1996 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
J. E. Cleghorn	nil	nil	54,625	225,475	791,452	3,099,852
J. E. Bolduc	nil	nil	11,675	68,625	169,998	930,912
G. J. Feeney	nil	nil	14,150	69,450	204,193	942,310
B. C. Galloway	nil	nil	12,800	69,000	185,541	936,093
R. J. Sutherland	nil	nil	10,100	68,100	148,238	923,658

PENSIONS

Pension arrangements are in place to provide certain senior officers, including the Named Executive Officers, upon retirement, with lifetime annual retirement income (including amounts payable under Canada and Quebec Pension Plans) of up to 60% of their average annual compensation (defined as base salary plus short-term incentive plan bonuses during the best remunerated 60 consecutive months in the last 10 years of employment not to exceed 145% of final base salary). These pension arrangements accrue from age 40 on the basis of certain percentages per year, as follows: 40-49, 2% per year; 50-59, 3% per year; 60-64, 2% per year up to a maximum of 60% of

average annual compensation. The normal retirement age under these arrangements is 65 years.

In respect of Messrs. J.E. Bolduc, G.J. Feeney and R.J. Sutherland, who joined the Bank's pension plan prior to November 1, 1963, the pension arrangements accrue from age 40 as follows: 40-44, 2% per year; 45-54, 3% per year; 55-59, 4% per year, up to a maximum of 60% of average annual compensation. The normal retirement age is 60 years under these arrangements.

Early retirement benefits are available from age 55; however the pension payable is reduced when the individual does not have 35 years of pension plan membership.

PENSION PLAN TABLES

Remuneration (\$)*	Years of Credited Service at Normal Retirement Age of 60		
	10	15	20 or more
300,000	105,000	150,000	180,000
400,000	140,000	200,000	240,000
500,000	175,000	250,000	300,000
750,000	262,500	375,000	450,000
1,000,000	350,000	500,000	600,000
1,250,000	437,500	625,000	750,000
1,500,000	525,000	750,000	900,000

Remuneration (\$)*	Years of Credited Service at Normal Retirement Age of 65			
	10	15	20	25 or more
300,000	90,000	120,000	150,000	180,000
400,000	120,000	160,000	200,000	240,000
500,000	150,000	200,000	250,000	300,000
750,000	225,000	300,000	375,000	450,000
1,000,000	300,000	400,000	500,000	600,000
1,250,000	375,000	500,000	625,000	750,000
1,500,000	450,000	600,000	750,000	900,000

* Average annual compensation defined as base salary plus short term incentive bonuses during the best remunerated 60 consecutive months in the last 10 years of employment, not to exceed 145% of final base salary.

The credited service up to October 31, 1996 for each of the Named Executive Officers is as follows:

Name	Credited Service	Normal Retirement Age
J. E. Cleghorn	15.3 years	65
J. E. Bolduc	17.6 years	60
G. J. Feeney	15.2 years	60
B. C. Galloway	9.2 years	65
R. J. Sutherland	18.8 years	60

Each of the individuals will attain the maximum credited service by the normal retirement age if they continue Bank employment.

Mr. A.S. Fell is a member of the pension plan for Directors of RBC Dominion Securities Inc. His participation in this Revenue Canada registered plan is on the same terms and conditions applicable to all Directors of RBC Dominion Securities Inc., subject to the maximum pension allowed under a registered plan. There are no supplementary retirement arrangements in place for this officer.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS

As at December 23, 1996, aggregate indebtedness entered into for purposes other than in connection with purchase of securities (other than routine indebtedness under applicable Canadian securities laws) to the Bank or its subsidiaries of all officers, directors and employees and former officers, directors

and employees of the Bank or its subsidiaries amounted to approximately \$315,665,240.

This amount primarily reflects housing loans secured on the borrower's principal residence, made available to eligible employees of the Bank at rates lower than those generally available to customers of the Bank. This program was discontinued December 6, 1995. Existing loans have been "grandfathered".

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding during Year Ended Oct. 31, 1996 (\$)	Amount Outstanding as at Dec. 23, 1996 (\$)	
			(a)	(b)
N.C. Achen, SVP	Bank Loans	42,797		
R.H. Aylward, SVP	Bank Loans	217,988	176,232	39,972
D.A. Berardinucci, EVP	Bank Loans	309,901	196,115	
G.R. Bright, SVP	Bank Loans	312,314	304,072	
J.E. Cleghorn, Chairman and CEO	Bank Loans	1,075,069	371,830	
C.S. Coffey, EVP	Bank Loans	232,344		
M.T.J. Conway, VP and Chief Accountant	Bank Loans	26,141		
M.A. Corlett, EVP	Bank Loans	205,096	118,818	
C.J. Coveyduck, SVP	Bank Loans	69,410		47,686
A.R. Creasor, SVP	Bank Loans	331,276	321,951	
B.P. Davies, SVP	Bank Loans	115,100		
J.D. Dixon, SVP	Bank Loans	100,000		80,000
G.J. Feeney, Vice-Chairman	Bank Loans	889,396	868,993	
J.R. Fukakusa, SVP	Bank Loans	279,547		65,187
G.F. Gaffney, EVP	Bank Loans	95,190		94,741
B.C. Galloway, Vice-Chairman	Bank Loans	217,120		
J.J. Gannon, SVP	Bank Loans	318,341	310,011	
R.G. Hall, SVP	Bank Loans	40,565		
M.J. Lagopoulos, SVP	Bank Loans	379,975	377,469	
J.E. Lawson, SVP and Secretary	Bank Loans	240,000	238,813	
P. Lebrun, SVP	Bank Loans	490,189	196,291	
A. Lockie, SVP	Bank Loans	334,853	266,205	
E.J. Lundy, SVP	Bank Loans	283,511	223,479	
J. Merriam, SVP	Bank Loans	183,979	178,776	
C.S. Milbury, SVP	Bank Loans	336,576	333,438	
E.G. Mitchell, EVP	Bank Loans	473,134	411,875	
W. Murray, SVP	Bank Loans	327,388	317,555	
J. McCallum, SVP	Bank Loans	277,748	271,081	
V.G. McKay, SVP	Bank Loans	200,480	199,010	

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding during Year Ended Oct. 31, 1996 (\$)	Amount Outstanding as at Dec. 23, 1996 (\$)	
			(a)	(b)
P.A. Palmer, SVP	Bank Loans	250,611	211,973	
R.S. Pennycook, SVP	Bank Loans	364,385	287,908	
P.G. Pitz, SVP	Bank Loans	418,126	360,204	39,597
J.T. Rager, EVP	Bank Loans	259,244	202,655	
D.L. Robertson, SVP	Bank Loans	392,170	350,759	32,296
G.G. Tallman, SVP	Bank Loans	345,694	194,956	46,000
G.P.Z. Tatrallyay, SVP	Bank Loans	325,639	317,371	
M.K. Taylor, SVP	Bank Loans	236,908	263,743	
P.H. Tucker, SVP	Bank Loans	353,870	274,881	
M.L. Turcotte, SVP	Bank Loans	124,355		98,000
M. Velshi, SVP	Bank Loans	214,424		210,556
A.A. Webb *	Bank Loans	392,739	381,642	
D.S. Wells, EVP	Bank Loans	30,067		
W.J. Westlake **	Bank Loans	518,028	505,798	

* President and C.E.O., Royal Trust Corporation of Canada

** President and C.E.O., RBC Insurance Holdings Inc.

- (a) Loan(s) to assist with home purchase resulting from Bank initiated transfer, secured by collateral mortgage on borrower's residence and amortized over maximum term of 25 years. The first \$50,000 of any such loan bears interest at 1% per annum, the balance at 4%, both rates being applicable for an initial three-year period; in the fourth year, the rates are 2% and 5% per annum, respectively. Thereafter, each such loan bears interest at rates between 3% and 6% per annum. Loans granted before December 8, 1993 and which were not made in conjunction with Bank initiated transfers bear interest at a rate per annum 2% below the Bank's residential mortgage interest rate for the term selected, subject to a minimum of 5% per annum. In certain cases, the amount shown in this column includes a residential mortgage loan secured on the borrower's residence granted at the applicable best customer interest rate in accordance with the Bank's residential mortgage lending program. This program was discontinued December 6, 1995. Existing loans were "grandfathered".
- (b) Loans for personal purposes, principally for consumer purchases, home improvements, recreational property acquisition, and sundry investment. Security in conformity with Bank's regular customer lending practices is held. Such loans are granted on a demand basis, generally subject to regular repayment schedules and bear interest at a rate based on the Bank's Personal Loan Base Rate. Prior to December 8, 1993 such loans were granted at rates between 3% and the Bank's Prime Rate; loans for computer purchases were granted on an interest free basis. Short term interim financing loans remain available on an interest free basis to facilitate residence purchase in conjunction with Bank initiated transfers.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS UNDER SECURITIES PURCHASE PROGRAMS

As at December 23, 1996, aggregate indebtedness (other than "routine indebtedness" under applicable

Canadian securities laws) to the Bank or its subsidiaries of all officers, directors and employees and former officers, directors and employees of the Bank or its subsidiaries made in connection with the purchase of securities of the Bank or any of its subsidiaries was approximately \$16,594,400.

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding during Year Ended Oct. 31, 1996 (\$)	Amount Outstanding as at Dec. 23, 1996 (\$)		Financially Assisted Securities Purchases during Last Completed Financial Year (c)	Security for Indebtedness (d)
			(a)	(b)		
N.C. Achen, SVP	Bank Loans	146,025	104,400			3,836
R.H. Aylward, SVP	Bank Loans	66,790	47,850			1,846
M.A. Bastian *	Bank Loans	78,880	53,880			2,099
D.A. Berardinucci, EVP	Bank Loans	164,950	127,450			4,506
E. Bigsby, SVP	Bank Loans	105,245	84,245			3,102
J.E. Bolduc, Vice-Chairman and CFO	Bank Loans	518,642	140,250			35,273
J.E.Y. Bougard, SVP	Bank Loans	95,815	73,515			2,599
J.P. Brewster, SVP	Bank Loans	92,840	64,240			2,455
G.R. Bright, SVP	Bank Loans	116,045	90,045			3,187
J.E. Cleghorn, Chairman and CEO	Bank Loans	748,550	297,000	45,938		30,610
C.S. Coffey, EVP	Bank Loans	198,925	103,095	50,551		6,393
M.T.J. Conway, VP and Chief Accountant	Bank Loans	81,322	48,950	10,067		1,891
M.A. Corlett, EVP	Bank Loans	206,800	166,658			5,893
C.J. Coveyduck, SVP	Bank Loans	148,092	86,710	40,473		5,368
A.R. Creasor, SVP	Bank Loans	168,826	101,065	3,749		3,576
B.P. Davies, SVP	Bank Loans	47,995	47,995			1,691
G.A.A. Dickson, SVP	Bank Loans	84,146	50,710			1,794
J.D. Dixon, SVP	Bank Loans	79,770	56,870			2,196
D.W. Dougherty, SVP	Bank Loans	73,920	51,920			2,008
H.E. Elsie, SVP	Bank Loans	188,534	93,235			3,606
G.J. Feeney, Vice-Chairman	Bank Loans	631,659	140,250	256,645		55,312
J.R. Fukakusa, SVP	Bank Loans	68,235	68,235			2,532
G.F. Gaffney, EVP	Bank Loans	174,025	132,525			4,985
B.C. Galloway, Vice-Chairman	Bank Loans	335,600	140,250			21,088
J.J. Gannon, SVP	Bank Loans	97,975	74,175			2,622

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding during Year Ended Oct. 31, 1996 (\$)	Amount Outstanding as at Dec. 23, 1996 (\$)		Financially Assisted Securities Purchases during Last Completed Financial Year (c)	Security for Indebtedness (d)
			(a)	(b)		
B.P. Griffiths, SVP	Bank Loans	136,295	97,295			3,444
J.A.R. Guay, SVP	Bank Loans	154,879	93,235	21,713		3,606
R.G. Hall, SVP	Bank Loans	154,580	95,845			5,334
J.M.S. Hatley, SVP	Bank Loans	89,995	69,995			2,474
R.M. Juneau, SVP	Bank Loans	143,037	87,145	31,806		3,365
D.N. Kitchen, SVP	Bank Loans	152,235	107,735			4,025
M.J. Lagopoulos, SVP	Bank Loans	31,240	31,240			1,159
J.E. Lawson, SVP and Secretary	Bank Loans	111,375	83,375			3,070
D.M. Leahey, SVP	Bank Loans	124,755	89,755			3,176
P. Lebrun, SVP	Bank Loans	75,000	55,000			2,121
A. Lockie, SVP	Bank Loans	88,095	69,995			2,564
E.J. Lundy, SVP	Bank Loans	113,295	87,435			3,215
I.A. MacKay, SVP	Bank Loans	228,623	97,295	131,328	8,000	3,444
R.A. Masleck, SVP	Bank Loans	132,235	93,235			3,601
J. McCallum, SVP	Bank Loans	47,995	47,995			1,691
V.G. McKay, SVP	Bank Loans	143,050	103,675			3,970
J. Merriam, SVP	Bank Loans	155,080	89,465	27,217		5,404
C.S. Milbury, SVP	Bank Loans	75,440	31,240			2,139
E.G. Mitchell, EVP	Bank Loans	51,040	51,040			1,805
W. Murray, SVP	Bank Loans	145,651	72,855			2,575
P.A. Palmer, SVP	Bank Loans	97,925	73,625			2,828
R.S. Pennycook, SVP	Bank Loans	129,415				3,473
P.G. Pitz, SVP	Bank Loans	91,455	71,755			2,658
J.T. Rager, EVP	Bank Loans	93,925	72,525			2,776
D.L. Robertson, SVP	Bank Loans	167,772	104,371	18,932		5,227
B. Schroder, EVP	Bank Loans	190,834	122,665	30,115		4,336
K.A. Smee, EVP	Bank Loans	196,050	143,550			5,536
R.E. Stanley, SVP	Bank Loans	120,265	95,265			3,370
R.J. Sutherland, Vice-Chairman	Bank Loans	301,141	140,250			27,354
G.G. Tallman, SVP	Bank Loans	136,905	96,280			17,227
G.P.Z. Tatrallyay, SVP	Bank Loans	96,715	73,515			2,820
M.K. Taylor, SVP	Bank Loans	48,070	48,070			1,856

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding during Year Ended Oct. 31, 1996 (\$)	Amount Outstanding as at Dec. 23, 1996 (\$)		Financially Assisted Securities Purchases during Last Completed Financial Year (c)	Security for Indebtedness (d)
			(a)	(b)		
P.A. Taylor, EVP	Bank Loans	257,580	186,780			6,609
P.H. Tucker, SVP	Bank Loans	103,347	76,815			2,955
M.L. Turcotte, SVP	Bank Loans	139,848	96,280			3,529
M. Velshi, SVP	Bank Loans	31,240	31,240			1,179
A.A. Webb **	Bank Loans	188,500	148,500			5,462
E.K. Weir, SVP	Bank Loans	105,995	105,995			4,112
D.S. Wells, EVP	Bank Loans	193,734	130,756	16,473		5,029
W.J. Westlake ***	Bank Loans	60,900	60,900			2,300

* President and C.E.O., Royal Bank Action Direct Inc.

** President and C.E.O., Royal Trust Corporation of Canada

*** President and C.E.O., RBC Insurance Holdings Inc.

(a) Loan(s) used to purchase Common Shares of the Bank pursuant to the Bank's Long Term Performance and Investment Plan at the Bank's Prime Rate. The loan amounts range from 20% to 33% of annual base salary, based on position. After the application of the performance awards in reduction of the loans, any residual balances can remain outstanding at the applicable interest rate for a maximum period of six months after which they must be repaid. This plan was discontinued in 1996.

(b) Loan(s) used to purchase Common Shares of the Bank pursuant to the Bank's Common Share Purchase Program under which loans are currently granted at the Bank's Prime Rate; prior to December 8, 1993 such loans were granted at the rate of 5% per annum. Repayment is made over terms ranging between five and ten years and shares are held as security until full repayment of the loans.

(c) The only item reported here represents the number of Class C Shares of RBC Dominion Securities Limited purchased with a Bank loan during the financial year.

(d) Aggregate number of Common Shares of the Bank held as security for the loan amount outstanding as at December 23, 1996.

AMENDMENT TO BY-LAWS — REMUNERATION OF DIRECTORS

Section 1.1 of By-law Two of the Bank now provides that not more than \$1,650,000 may be paid in the aggregate as remuneration to all directors in each fiscal year. This figure was fixed by the holders of Common Shares of the Bank in January of 1990, and has remained unchanged since then. Given the increasing burden of responsibility which goes with membership on a board, the growing scope and complexity of the Bank's business and of the regulatory environment, the increased workload of directors on Committees of the Board, and the fact that in the past seven years there has been no increase in the maximum aggregate remuneration which can be paid to the Bank's directors, it is now considered appropriate to effect an increase. Accordingly, at its meeting on December 4, 1996, the Board passed a resolution amending Section 1.1 of By-law Two to provide for an aggregate maximum remuneration for all directors of \$2,000,000. It should be noted that the actual remuneration of each director is governed by such factors as attendance at meetings and membership on or chairmanship of Committees of the Board.

In accordance with the requirements of the *Bank Act*, the amendment must be confirmed by a Special Resolution passed at a meeting of the holders of Common Shares of the Bank by an affirmative vote of not less than two-thirds of the votes cast on the matter.

The Special Resolution which will be presented for consideration at the Annual Meeting of Common Shareholders is as follows:

THAT the following amendment to the By-laws of the Bank made by the Board of Directors on December 4, 1996, be and is hereby confirmed:

"THAT Section 1.1 of By-law Two of the By-laws of Royal Bank of Canada be amended by deleting the figure of \$1,650,000 and substituting therefor the figure of \$2,000,000. Section 1.1 of By-law Two shall as a result read as follows:

'In each year any sum not exceeding \$2,000,000 in aggregate may be paid to the directors as remuneration for their services as directors in such proportions as the directors may determine.' "

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank has purchased at its expense, liability insurance with a policy limit of \$75,000,000. The insurance coverage is in two parts. The first relates to protection provided for directors and officers against liability incurred by them in their capacities as directors and officers of the Bank and its subsidiaries. There is no deductible for this part of the policy. The second part reimburses the Bank when it grants indemnification to the directors and officers as permitted by law. This part of the coverage is subject to a deductible of \$5,000,000. The Bank paid a total premium of \$935,000 for the period from July 1, 1996 to July 1, 1997.

LEGAL PROCEEDINGS

The Bank continued to be subject to various lawsuits challenging certain of its practices or actions. A majority of these suits are loan-related. That is, they involve claims or counterclaims brought in reaction to steps the Bank has taken to collect delinquent loans and enforce rights it has in collateral securing such loans. As at December 23, 1996, the aggregate liability which is expected to result from all these suits was not considered material.

APPOINTMENT OF AUDITORS

The persons named in the enclosed Form of Proxy intend to vote for the reappointment of Deloitte & Touche and KPMG (formerly known as KPMG Peat Marwick Thorne) as Auditors of the Bank, to hold office until the next Annual Meeting of Common Shareholders.

The *Bank Act* requires shareholders of the Bank to appoint one firm of accountants, and permits the appointment of two firms of accountants, to be Auditors of the Bank.

SHAREHOLDER PROPOSALS

Attached to this Management Proxy Circular as Schedule 'A' are certain shareholder proposals which have been submitted for consideration at the Annual Meeting of Common Shareholders.

AVAILABLE DOCUMENTATION

The Bank is a reporting issuer under the securities acts of all of the provinces of Canada and is therefore required to file financial statements and information circulars with the various securities commissions. The Bank also files an annual information form annually with such securities commissions. Copies of the Bank's latest annual information form, annual financial statements, any interim financial statements filed subsequent to the filing of the most recent annual financial statements and Management Proxy Circular may be obtained on request from the Secretary of the Bank.

DIRECTORS' APPROVAL

The Board of Directors of the Bank has approved the content and sending of this Management Proxy Circular.

January 21, 1997

JANE E. LAWSON
Senior Vice-President & Secretary

SHAREHOLDER PROPOSALS

Mr. Yves Michaud, who is the registered holder of three common shares of the Bank, has submitted four proposals for consideration at the Annual Meeting of Common Shareholders. These proposals and Mr. Michaud's supporting comments (translated from French to English) are set out verbatim, in italics, below.

Management opposes these proposals for the reasons set out after each of them.

PROPOSAL No. 1

"It is proposed that the overall remuneration of the highest-paid executive officer of the bank, including the annual salary, bonuses, gratuities, payments under long term incentive programs and any other forms of remuneration, not exceed twenty (20) times the average salary of the Bank's employees.

This recommendation is drawn from the TIME magazine issue of February 12, 1996 quoting Mr. J.P. Morgan, Chairman of the financial institution of the same name. In addition, Mr. Stephen A. Jarislowsky, a former director of a number of Canadian corporations, declared in the magazine AFFAIRES PLUS of June 1996 that, 'Although it is important to pay competent people well, the base salaries are often too high, the bonuses excessive, the stock options ludicrous, the loans granted to buy shares stupid, and it is not right that these loans are interest free.'

'In my opinion', he added, 'such extravagant remuneration is ridiculous and reveals greed rather than management ability.'

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board of Directors of Royal Bank assigns the task of reviewing overall compensation policies and recommending compensation for senior executives to the Human Resources Committee of the Board. The Committee comprises seven directors who are neither officers nor former officers of the Bank. The Board of Directors reviews the Committee's recommendations and has final approval on compensation matters. The Bank must offer competitive compensation in order to serve the interests of shareholders by

attracting and retaining highly skilled and motivated executives. The Committee's aim is to set executive compensation, based on the advice of external compensation policy advisors, at a level comparable to the top 25% of the country's largest corporations and financial institutions. It is the view of the Board of Directors that executive compensation levels are appropriate for the Bank's size and complexity of its operations, the asset base managed and the level of profits generated for shareholders.

PROPOSAL No. 2

"It is proposed that the Chairman of the Board be appointed from among the directors who are not employees of the Bank.

This proposal is in keeping with recommendation 6.15 (page 41) of the Toronto Stock Exchange report on corporate governance in Canada (December 1994).

The report states that the Board of Directors must evaluate the performance of executive officers of a company independently. This is not the case when the President and Chief Operating Officer, who is also the Chairman of the Board, must evaluate himself and his principal fellow officers. To avoid any apparent or real conflict of interest the report states, 'The means for implementing this guideline is for the board to appoint a strong non-executive chair of the board whose principal responsibility is managing the Board of Directors.'

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

This issue has been previously considered by the Board of Directors of the Bank. At the Bank, the position of Chairman and Chief Executive Officer are combined. This is consistent with general practice within the banking industry in North America. It has the advantage of the Chairman of the Board of Directors having a more detailed knowledge of the business and activities of Royal Bank Financial Group than would be possible in the case of a non-executive Chairman. Board independence is ensured through an effective corporate governance system. The Toronto Stock Exchange Committee recognized alternative structures to ensure that the Board functions independently of management. At the Bank, the

Chairman of the Corporate Governance Committee serves a liaison function among the directors, and between the Board and senior management, on corporate governance matters. Following meetings of the Board of Directors, the Chairman of the Corporate Governance Committee chairs meetings of non-management directors at which any concerns with respect to management may be freely expressed. Bank policy provides that no more than two officers may serve as directors (there is currently only one). No officer-director may serve on a committee of the Board.

PROPOSAL NO. 3

"It is proposed that a person related to the bank as a provider of services not be eligible to become a director.

The Toronto Stock Exchange report deals on page 24 (paragraphs 5.9 and 5.10) with the independence of directors with respect to management. The board, according to the report, must be constituted in such a way that in all circumstances, objective judgment is exercised on all issues.

An example given in this document concerns a director who provides services to the company, such as legal or financial services. He or she may not be considered as an unrelated director because of his or her dependence on management, and his or her judgment may be distorted in appraising performance of the management due to the fact that he or she is a provider of services to the company."

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

It is in the interest of shareholders to be able to select directors with extensive business and professional experience. The shareholders of the Bank should not be constrained, by arbitrary rules which exceed regulatory requirements, from electing directors with a wide range of business and professional experience. The *Bank Act* provides that no more than two-thirds of the directors may be "affiliated" with the Bank. An "affiliated person" includes a person who provides goods or services to Royal Bank with annual billings to the Bank exceeding 10% of total annual billings. Currently, fewer than one-third of

the directors are "affiliated" with Royal Bank. The Toronto Stock Exchange Report proposed that every board should be constituted with a majority of "unrelated" directors. The Bank's Corporate Governance Committee has determined that the Board is also in compliance with this guideline. In addition, statutory provisions require directors to disclose their interest in and to refrain from voting in respect of material contracts with Royal Bank.

PROPOSAL NO. 4

"It is proposed that the term of directors other than the Bank's officers not exceed ten (10) consecutive years.

Although a formal recommendation is not made in the Toronto Stock Exchange report, representations have been made by witnesses consulted in this regard to limit the term of directors to six (6) or seven (7) years to ensure renewal of people and ideas and to avoid boards of directors falling victim to parasites in the long term.

The suggestion appears appropriate and the proposed compromise of ten (10) years is wise in that it provides reasonable latitude for optimum operation of the board of directors."

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board has given careful consideration to the concept of term limits for directors. It has concluded that it would not be in the interests of shareholders to adopt rigid term limits, which would deprive the Bank of its most experienced directors. Shareholders must select and retain qualified directors on the basis of individual attributes, including business judgment, integrity, ability to generate public confidence, business and professional experience and expertise and familiarity with local, national and international issues. Royal Bank Financial Group is a large and complex diversified financial services business. Directors approve the Bank's overall business strategies and policies and the Board and its Committees oversee the monitoring and control of risks. These are matters which require the Board as a whole to have a high degree of experience and continuity.

